Ministry of Agriculture

Farm Land Security Board

Government of Saskatchewan

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This annual report is also available in electronic format from the Ministry's website at *www.agriculture.gov.sk.ca*.

Letters of Transmittal

June 28, 2013

Her Honour, the Honourable Vaughn Solomon Schofield
Lieutenant Governor of Saskatchewan

May it please Your Honour:

As the Minister of Saskatchewan Agriculture, it is my pleasure to submit the Annual Report for the Farm Land Security Board for the year ending March 31, 2013.

Respectfully submitted,

Lyle Stewart
Minister of Agriculture

April 30, 2013

The Honourable Lyle Stewart
Minister of Agriculture

Dear Sir:

I have the honour to submit for your consideration the Annual Report of the Farm Land Security Board for the year ending March 31, 2013.

The Saskatchewan Farm Security Act (the Act) establishes the Farm Land Security Board (the Board), providing it a mandate in the areas of farm foreclosures, home quarter protection and farm ownership. The Act plays a critical role in support of farm families during periods of economic instability or challenges related to their businesses.

The attached report outlines the varied activities of the Board, its administrators and field staff during the past year. The Board is continually striving to improve the service we provide. The Board staff has made presentations to several groups on the role and operation of Farm Land Security Board. The Board office has moved to the Walter Scott building this past year. The land sales database has been updated with the 2013 land assessments. The board has intensified its efforts to ensure farm ownership remains Canadian. These improvements were attained while balancing operating costs and efficiencies.

Respectfully submitted,

Dwayne Anderson
Chairman

Organizational Structure

Mission Statement

The Farm Land Security Board's mission is to effectively deliver Saskatchewan Farm Security programs in a manner responsive to the needs of the rural community. These programs have been instituted to support family farms during periods of financial difficulty and to stabilize the economic and social environment in rural Saskatchewan.

Governing Legislation

The Saskatchewan Farm Security Act and its regulations govern the Farm Land Security Board. The Board is responsible for Parts II, III and VI of the Act.

Farm Foreclosure Protection, Part II of the Act, is supportive to the farm community by enhancing the opportunity to resolve financial difficulties by other means than foreclosure.

The Board's advice to court under Part II may help to postpone or to avoid commencement of foreclosure proceedings.

Home Quarter Protection, Part III of the Act, directs the Board to exclude a mortgage from Home Quarter Protection only when it is "in the best interests" of the farmer.

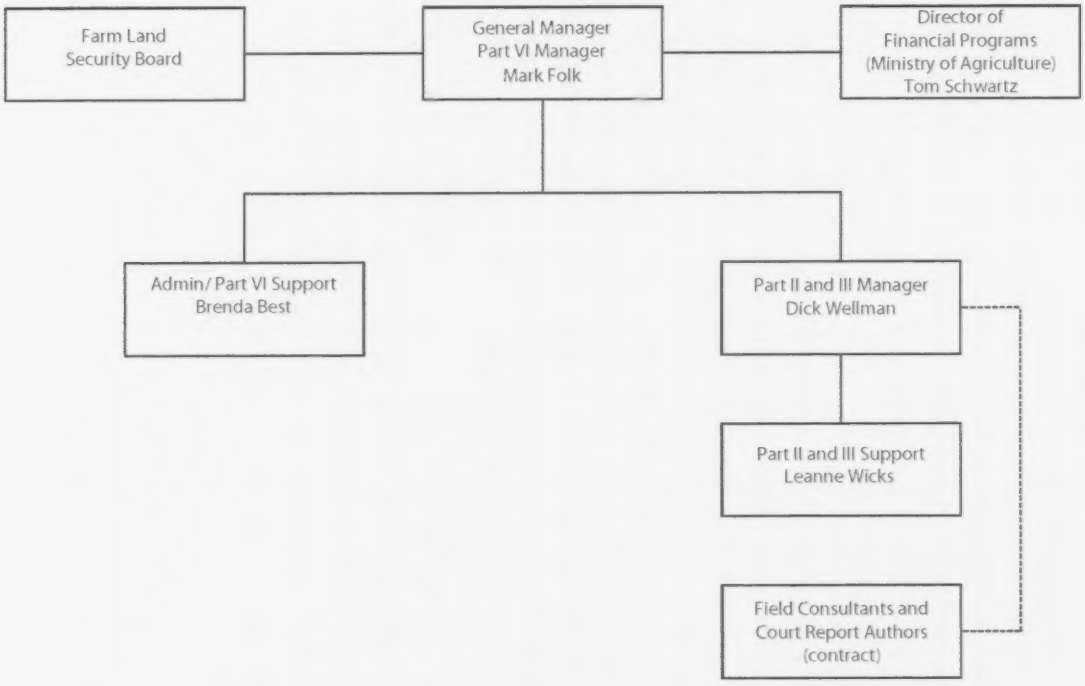
Farm Ownership Protection, Part VI of the Act, allows the Board to exempt certain lands from the protection where the broader needs and opportunities of our province may be served.

Members of the Farm Land Security Board as of March 31, 2013:

- Dwayne Anderson, Fosston
- Noel Skelton, Harris
- Dave Farrell, Yorkton

The Board employs two managerial and two support staff in Regina as well as 16 contractual field consultants located around the province.

Farm Land Security Board Organizational Chart


Farm Land Security Board
General Manager Part VI Manager Mark Folk
Director of Financial Programs (Ministry of Agriculture) Tom Schwartz
Admin/ Part VI Support Brenda Best
Part II and III Manager Dick Wellman
Part II and III Support Leanne Wicks
Field Consultants and Court Report Authors (contract)

Program Objectives, Activities and Impacts

Part II – Farm Foreclosures

Mandate:

Before proceeding to court, the Act requires all lenders or writ holders to first serve notice on the farmer and on the Farm Land Security Board respecting their intention to foreclose. The Act provides a financial review and mediation mechanism to assist the parties' efforts to find a settlement. If mediation is not successful or the farmer chooses not to participate, the Act requires the Board to prepare a report for the court expressing the Board's opinion on questions stated in the Act, and any other matter the Board feels is relevant. The Act directs the court to give the report primary consideration. The statutory period allowed for the above is 150 days. Mediators are provided by the Saskatchewan Ministry of Justice, Dispute Resolution Office.

The program helps farmers facing foreclosure by clarifying their financial situation and helping them in understanding their legal rights and obligations. These activities help establish achievable expectations and objectives for farmers as they enter the mediation process.

The program was also designed to help the court in its determination of whether allowing foreclosure to proceed would be "just and equitable." The Board's report to the court provides insight into the personal and financial circumstances of the farm family and any other factors that can contribute to achieving the objective of the Act which is to "protect farmers against the loss of their farm land". As well, because some aspects of home quarter protection legislation are linked to the Board's opinion in the report, important legal support for farm families hinges on the report's conclusion.

Resources:

Two full-time equivalent employees and 16 specialized contract field consultants work in administering Parts II and III of the Act.

Objectives:

The primary objective of the program is to help farmers and creditors facing a possible foreclosure to understand and resolve the underlying financial problems thereby keeping farmers on the land and in rural communities. An additional resulting benefit is to provide a fair and effective means of resolving farm financial difficulties without involving the court system.

Activities:

Field Analysis and Mediation Preparation

Following receipt of a Notice of Intention to Foreclose, the Board assigns the matter to a field consultant. It is the field consultant's responsibility to meet with the farm family to adequately prepare them for the mediation opportunity. This preparation includes a review and analysis of the farm family's financial situation. Discussions about their personal and financial situation and their legal rights and obligations occur. Through these discussions the field consultant helps the family establish goals for the mediation process and beyond. A financial report is produced and provided to the farmer, the mediator and the creditor. The field consultant also contacts the creditor to prepare the creditor for mediation. The consultant will accompany the farmer to the mediation meeting acting as a resource and a support to the family.

When the review and mediation activities do not find a suitable solution, the creditor may ask for the Board's report to the court. Upon receiving such a request, the Board appoints a consultant with specialized training to research the request. Requests for the Board's report to the court often occur several months after the mediation meeting. In these cases, the Board's research will include updating the farm's financial statement and gathering of other relevant information.

The Board will interview the lender and the farmer when necessary in preparation of the report. The report provides primary advice to the Court in its determination of whether leave is granted to advance into a foreclosure action.

The Act, through its provision of a field consultant, a process of mediation, and its requirement of a court report, has avoided initiation of foreclosure actions in the majority of Notices of Intention to Foreclose. Although repayment arrangements are not always achieved, exit and other arrangements are a benefit to farm families.

Further detail on the success of mediation can be obtained from the Dispute Resolution Services section of Saskatchewan Ministry of Justice Annual Report.

Mortgages Subject to a Notice: By Creditor						
Fiscal Year	FCC	ACS	Credit Unions	Other	Chartered Banks	Total
2010-2011	82	10	62	19	38	211
2011-2012	60	2	38	19	28	147
2012-2013	26	10	24	8	26	94

Notices of Intent to Foreclose may involve more than one mortgage.
In addition to the Notices of Intent to Foreclose received by the Board in 2012-13, a number of resolved Notices were reactivated at the request of lenders.

Observations:

Since 1985, Notices that have been served on the Board have involved 16,890 mortgages and 10,936 farms.

The number of farms attached to this notice level is not the full extent of financial difficulties in the farm economy. Participation in federally mandated programs facilitates arrangements involving debt secured to livestock, equipment and crops. These activities add, in some measure, to foreclosure notices. Farms that are dissolved or reduced through voluntary liquidations, or successfully restructured through private arrangements with their lenders are not reflected within the formal program numbers. Board activity resulted in 80 mortgages subject to a notice of intention to foreclose being resolved.

Court Reports

The Board's Report to the court provides primary advice to the court for its decision whether a foreclosure action should be allowed to proceed. In addition to addressing the critical questions of whether the farm family has reasonable possibility of paying the mortgage, and whether sincere and reasonable effort is being made to pay the mortgage, the Board can comment on any issue it deems relevant to the situation. The report is distributed initially to the farmer, the creditor and their legal counsel. Once the creditor advises the Board of its court application, the report is issued to the court. Eight notice files were resolved after the creditor requested a court report.

Part II – Court Reports Requested (a)					
Fiscal Year	Providing Opinion	Providing No Opinion (b)	Uncontested Foreclosure (c)	Resolved (d)	Total
2010-2011	49	38	4	13	104
2011-2012	27	23	1	7	58
2012-2013	18	32	0	8	58

a. Not all Court Reports initiated by lenders are issued to the court
b. Court Report issued when Board's assistance is declined by the farmer
c. Reflects mediated arrangements which require a court report for legal purposes
d. Prior to issuing a preliminary Court Report a resolution of the file occurs. The Board does not track resolutions that take place once a Court Report is issued to the court.

A Notice of Intention to Foreclose has a three year lifespan, therefore Board activities may involve a notice served in previous years. In 2012-2013, 44 Notices were resolved without the Board issuing a report. The Board wrote 50 Reports, about the same as the previous year. Eighteen of these reports followed a mediation meeting and 32 reports saw little or no participation by the farmer. This situation arises from a variety of circumstances including the unwillingness of the farmer to engage with the Board. The Board continues to work at increasing farmer participation through distribution of educational materials.

A significant number of report requests resolve without the Board completing its report. Likewise many completed reports resolve before the parties appear in court.

When the situation does proceed to court a judicial sale, as opposed to foreclosure, is more common. By judicial sale the mortgage creditor avoids having to hold the land and avoids the right of first refusal the Act provides the farmer. Judicial sales are a means to satisfy a number of mortgagees or writ holders who thereby share in the proceeds of the liquidated property. A judicial sale also allows the creditor to sue the farmer for any deficiency.

Judicial sales should not be considered to be of neutral impact on farm families. It is common that property sold by judicial sale is discounted in value. The farmer can also bear significant legal and court costs, and loses the benefit of the right of first refusal that is a feature of *The Saskatchewan Farm Security Act*.

Part III – Home Quarter Protection

Mandate:

Home quarter protection has been a cornerstone of Saskatchewan farm protection legislation since the early 1940s. The protection stays the registration of a final order for foreclosure as long as the farmer continues to live on the homestead. A farmer and a lender may co-apply to the Board to have a mortgage excluded from this protection. The Board is empowered to exclude the mortgage from protection when, in the opinion of the Board, it would benefit the farmer. The program helps farmers and creditors consider a broader range of financing options as opposed to attaching debt to their home quarter.

Resources:

Part II and III office and human resources are shared. (See Part II for more details.)

Objectives:

The mandate of home quarter protection is achieved by clarifying with farmers their security options and examining their ability to service the mortgage obligations. Before the Board will order a mortgage excluded from the protection, it must be convinced the farmer can repay the loan, and that other suitable security is not available. Additionally, it must be convinced that any aspect of a loan which appears uncharacteristic of typical lending practices has been fully discussed with the parties.

Activities:

Co-applications are reviewed by Board staff. Staff may contact the farmer and the creditor as part of their review and may request additional information concerning the farm financial situation. Staff may analyze the farm budget and security options to establish that the loan is affordable and that more suitable security arrangements are not possible. In the most difficult situations the co-application is assigned to a field consultant who will meet with the farmer and the creditor to prepare a report for the Board.

A decision to refuse the requested exclusion order only occurs after clear evidence that either the loan is not serviceable or that alternate satisfactory security options are available.

Rather than deny an application, the Board will work with the parties to find acceptable alternatives. Alternatives include issuing exclusion orders that state explicit conditions. Such conditions may release a home site from the mortgage if the loan fails, or release the home quarter once the principal is reduced to a specified amount. This work results in a very low incidence of applications being denied.

Part III Disposition of Home Quarter Applications				
Fiscal Year	Orders Issued	Orders Denied	Return/Withdrawal	Total
2010-2011	395*	0	17	412
2011-2012	222	3	5	230
2012-2013	207	1	37	245

**The Board has approved a new class exclusion order for mortgages made solely to secure new funding. This class exclusion order has significantly reduced the number of co-applications, especially in 2011-2012.*

Impacts:

The Board's activities help to maintain the security of farm family homesteads. Its activities ensure that debt obligations are serviceable when a homestead is involved and that alternative options for securing debt are considered. These activities increase farmer knowledge of risk management and contribute to the future stability of rural communities.

Distribution of Home Quarter Co-Applications by Purpose Category			
	2012-2013	2011-2012	2010-2011
Construction	19%	15%	16%
Purchase	15%	12%	14%
Restructure	45%	44%	40%
Revolving Credit	6%	14%	11%
Debt Settlement			1%
Other	15%	15%	18%

Observations:

In the 2012-2013 fiscal year co-applications to waive home quarter protection increased 7 per cent. Debt restructures remained the highest percentage of all co-applications again due to farms not being able to service debt as originally structured, or farms moving to new creditors offering lower interest rates and interest only payments on mortgage secured loans.

Lenders continue to offer new sophisticated mortgage products that allow a variety of loans to attach to a single mortgage. Farmers are comfortable with these products and want borrowing to be flexible and easy. Prior to granting an exclusionary order, the Board works with the creditor and farmer to identify the loans attached to any style of mortgage.

Part VI – Farm Ownership

Mandate:

Saskatchewan's farm ownership legislation reflects the continuing commitment of the Government of Saskatchewan to regulate the ownership and operation of Saskatchewan farm land by non-Canadian interests.

Resources:

The delivery of farm ownership activities under the Act is included in general administrative overhead and Board meetings.

Objectives:

The Board seeks to preserve ownership and operation of Saskatchewan farm land by Canadians through ensuring compliance with farm ownership legislation. The Board also maintains an internal objective to remain current in the area of agriculture and land related issues. This contributes positively to its decisions regarding land ownership.

Activities:

Responsibilities of the Board include the granting or denial of applications for exemption or extension, issuing orders for divestment and recommending court action for violation of the Act's provisions. When individuals or corporations acquire or plan to acquire holdings that exceed that allowed by statute, the Board considers the interests of all affected parties in making its determinations. Staff assigned to this aspect of the program monitors all changes of title respecting farm land.

Activity Detail

The Board monitored changes of interest in rural land in the province by analyzing and classifying raw data provided by Information Services Corporation. For the Board's purposes the initial analysis of 2012-2013 revealed 30,213 transfers totaling 4,098,809 acres. (28,660 in 2011-2012 totaling 3,885,136 acres.)

The Board continues to monitor land purchases and has implemented additional steps to ensure compliance with *The Saskatchewan Farm Security Act*.

Application for Exemption:

The Board has the authority to consider applications for exemption which, if approved, allow non-eligible individuals or non-agricultural corporations to have or acquire a land holding in excess of that allowed under the farm ownership provisions of *The Saskatchewan Farm Security Act*. The following table summarizes the Board's activity in applications for exemption. General categories have been developed for the requests for exemption the Board receives.

EXEMPTION STATISTICS								
Exemption Category	Granted		Acres		Denied		Acres	
	2011-2012	2012-2013	2011-2012	2012-2013	2011-2012	2012-2013	2011-2012	2012-2013
Intending to Reside	2	5	3400	13,028	0	0	0	0
Border Farm	0	3	0	4,480	0	0	0	0
Commercial Developments	20	10	354,900*	11,187	0	0	0	0
Mining, Forestry and Petroleum	7	15	32,282	95,311	0	0	0	0
Intensive Livestock	3	2	419	200	0	0	0	0
Ag Corp								
Investors	2	1	2,288	0	0	0	0	0
Land Investment	1	0	160	0	2	2	1,573	0
Inheritance and Estate Planning	3	4	1,320	1,280	0	0	0	0
Wild Life	0	0	0	0	0	0	0	0
Total	38	40	394,769	125,486	2	0	1,573	0

**354,900 acres include options to lease on 347,700 acres of land that were involved with applications for potential wind generation projects.*

Accomplishments:

The Land Sales database continues to provide a useful service to the public by allowing searchable access to land sale information. It also facilitates the monitoring of land sales transactions for the purposes of the Act. Land assessment information will be added to provide additional information in determining comparative land values.

Observations:

Land transfer data reveals that farm land purchases by individuals who reside outside of Saskatchewan continue to increase. This does not include non-Saskatchewan corporate shareholders or unit holders of limited partnerships.

Farm land in Saskatchewan continues to be a safe investment with potential capital appreciation.

The Board has met with many delegations looking for investment opportunities in Saskatchewan agriculture that fit within the mandate of the Act.

2012-2013 Financial Results

Expenditures:

A budget of $801,000 was provided to the Farm Land Security Board in the 2012-13 fiscal year. Expenditures and accounts payable for the year were $583,200

Expenditures (thousand dollars)	**2012-13**	**2011-12**	**2010-11**
Salaries	272	273	357.0
Other Expenses	308.4	308	420.0
Accounts Payable	Nil	12.6	12.9
Total	583.2	593.6	789.9

2012-2013 Financial Results – Revenue

Fees generated in revenue and accounts receivable.

Revenues (thousand dollars)	**2012-13**	**2011-12**	**2010-11**
Notice Application Fee	21.8	34	48.7
Land Sale Data Fee	151.5	136.2	55.9
Farm Ownership Fee	2.6	4.0	2.7
Total	175.9	174.2	107.3